

Ram Petroleums Limited

Annual Report 1971



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RAM PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)

Executive and Head Office

Suite 1000, The Simpson Tower, 401 Bay Street, Toronto 103, Ontario

Directors

Howard Barclay
Richard H. Krempulec
Ralph W. McDowell
Robert J. Opekar
R. Bredin Stapells, Q.C.

Transfer Agents

Guaranty Trust Company of Canada
Toronto, Ontario
The Bank of Butterfield Executor
and Trustee Company Ltd.
Hamilton, Bermuda

Officers

Robert J. Opekar, President
Richard H. Krempulec, Secretary

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON
Toronto, Ontario

General Manager

Leonard Casciato, M.A., P.Eng.

Banker

Royal Bank of Canada
20 King St. W.,
Toronto, Ontario

Petroleum Geologist

Cyril J. Hadley, B.Sc., P.Eng.

General Counsel

Stapells, Sewell, Stapells,
Patterson & Rogers
Toronto, Ontario

Mining Geologist

Charles C. Allen, Ph.D., P.Eng.

RAM PETROLEUMS LIMITED

PRINCIPAL EXPLORATION AREAS



1. **ARCTIC ISLAND** (Sverdrup Basin)
Federal oil and gas exploration permits
72,491 acres, Ram 100%
107,504 acres Ram 75%, Imperial Oil 25%
2. **NORTHWEST TERRITORIES** (Great Bear Basin)
Federal oil and gas exploration permits
537,275 acres, 100%
252,594 acres, 80%
3. **OFFSHORE BAFFIN ISLAND** (Foxe Basin)
Federal oil and gas exploration permits
97,092 acres, 100%
4. **DAVIS STRAIT OFFSHORE BAFFIN ISLAND**
(Cumberland Basin)
Federal oil and gas exploration permits
1,087,412 acres Ram 66⅔%, Gulf 33⅓%
5. **HUDSON BAY** (Hudson Bay Basin)
Federal oil and gas exploration permits
124,488 acres, 80%
6. **SASKATCHEWAN**
Lignite coal, exploration permits
127,040 acres, 100%
7. **MICHIGAN** (Michigan Basin)
Petroleum leases
17,000 net acres, Ram Petroleum Inc.
8. **ONTARIO** (Michigan Basin)
Petroleum leases
19,500 acres, 100%
9. **NEW BRUNSWICK** (Maritime Basin)
Oil and gas exploration permits
65,000 acres offshore, 100% (Federal)
316,800 acres onshore, 100% (Provincial)
10. **MAINLAND NOVA SCOTIA** (Maritime Basin)
Provincial oil and gas exploration permits
259,019 acres, 100%
11. **OFFSHORE NOVA SCOTIA** (Scotia Shelf)
Provincial oil and gas exploration permits
626,970 acres, 100%
12. **MEXTOR**
Mextor-Pinabete Mining Area
Silver, copper, gold, lead, zinc prospects
Ram 91.4% owner of Mextor Minerals Ltd.

REPORT TO SHAREHOLDERS

Ram enjoyed a good year in 1971. Total oil and gas sales for the year were \$1,375,348 which comprised \$1,005,913 of sales on current account plus \$369,435 which was classified as income in 1971 even though the company received this money in 1969. The reason for this accounting procedure was that physical delivery of the gas, payment for which had been received in a previous year, took place in 1971. In 1970 total oil and gas sales were \$1,737,960 which comprised \$957,148 on current account and \$780,812 which was re-classified and taken into income because of make-up gas deliveries which took place in that year. During 1971 your company completed the delivery of all gas for which payment had been received in a previous year.

Net income for the year was \$540,669 down from \$833,914 in 1970. Income before extraordinary items was 15¢ per share and net income was the equivalent of 18¢ per share compared to 18¢ and 27¢ per share respectively for 1970. Working capital as of December 31, 1971 was \$155,209.

Up to the end of 1971 your Terminus Pool has produced about 7.5 bcf of gas. Remaining recoverable reserves at the year end were in excess of 5 bcf. Rather than produce all recoverable reserves of gas it may be in the best interests of your company to commence, subject to approval of the appropriate regulatory bodies, with the conversion of its facilities from gas production to gas storage operations. It is hoped that a decision with respect to this will be announced in the company's 1972 semi-annual report.

Recently, Ram farmed out 2 permits consisting of 107,504 acres off Amund Ringnes Island to Imperial Oil Limited who can earn a 25% working interest by satisfying work obligations up to 9th August 1980 in the amount of \$279,510. Imperial has the option of increasing its interest to 100%, subject to a 20% net profits interest to Ram, by drilling a test well to evaluate the Triassic Heiberg formation or to 10,000 feet whichever is the lesser.

Ram's investment in a subsidiary company Mextor Minerals, increased to \$555,492 at December 31, 1971 compared to \$124,525 a year previously. This item is not included in the company's current assets. As of April 26, 1972, Ram's investment in Mextor was \$605,415.75 constituting ownership of 2,620,000 shares of Mextor or 91.38% of that company's issued capital. Mextor's activities are described elsewhere in this annual report.

Ram has recently submitted a brief to the Advisory Committee on Energy which has been formed by the Province of Ontario to submit a report with respect to future energy requirements and supplies for Ontario. The

company contended that gas producers in the Province of Ontario, an area in which your company is active, did not receive a fair price for gas produced and that a very substantial increase in the price of gas is overdue. The brief recommends that the Energy Board of Ontario be empowered to set a minimum price for gas produced in the Province after taking into account the quality of gas and service.

Ram has continued to increase its holdings of prospective oil and gas lands. At present the company's acreage holdings are as follows:

	Oil & Gas Permits		Oil & Gas
	On-Shore	Off-Shore	Leases
Hudson Bay		124,488b*	
New Brunswick	316,800a	65,000b	
Nova Scotia	259,019a	626,970a	
N.W.T. — Baffin Island		1,087,410b**	
N.W.T. — Baffin Island — Foxe Basin		97,092b	
N.W.T. — Great Bear Lake	297,464b	239,811b	
	252,594b*		
N.W.T. — Arctic Islands	49,366b	23,125b	
		107,504b***	
Ontario			20,400
U.S.A. — Michigan			17,675c
U.S.A. — Illinois			399c

Note:

- a — Provincial Oil & Gas Permits
- b — Federal Oil & Gas Permits
- c — Acreage held by wholly owned subsidiary Ram Petroleum Inc.
- * — 80% interest
- ** — 66⅔% interest
- *** — 75% interest

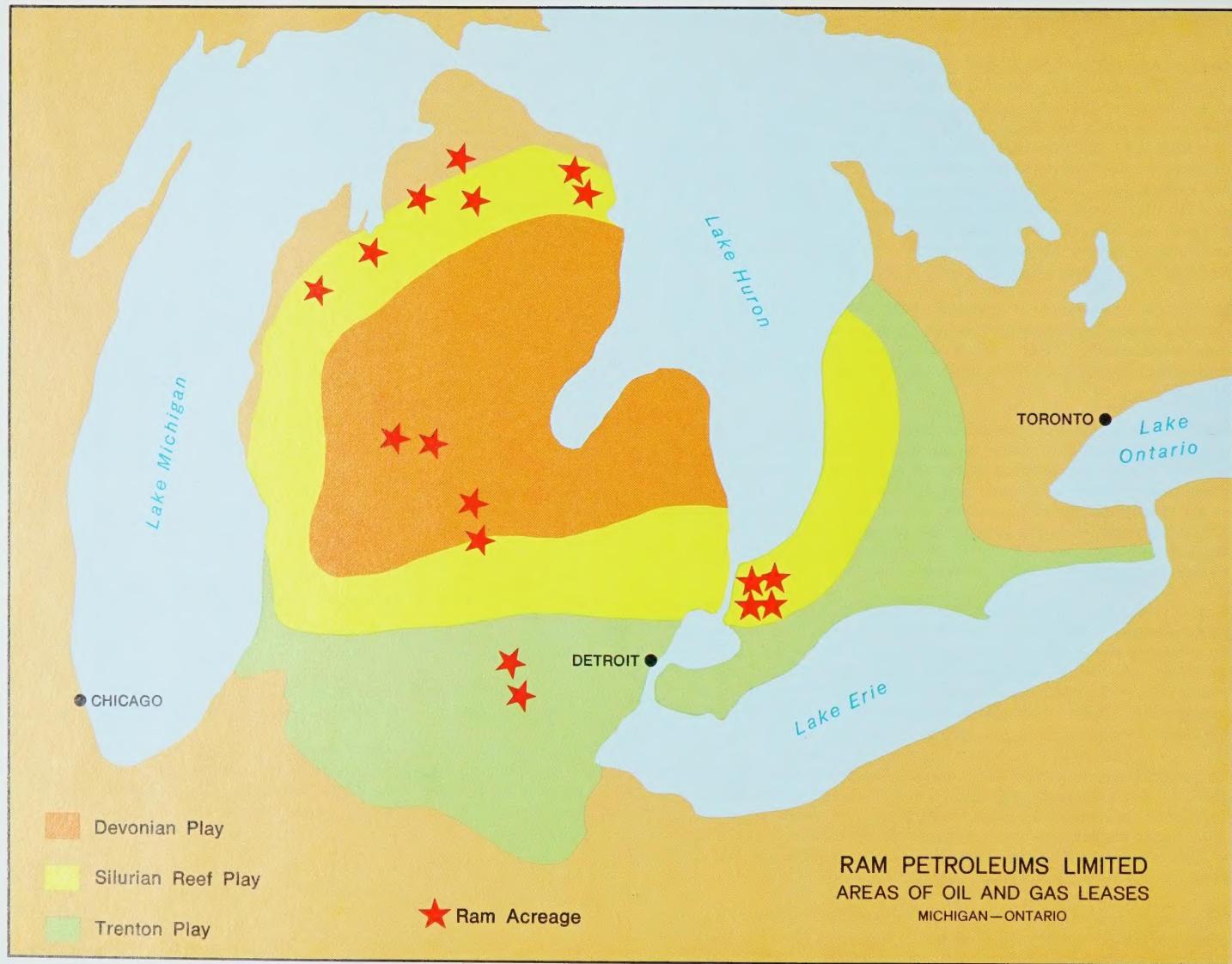
In January of 1972 litigation to which your company was joined was dismissed on consent of all parties at no further cost to the company.

A detailed review of the company's exploration activities in the oil and gas, coal and mining fields are contained elsewhere in this annual report. Suffice it to say that your company remains optimistic about its prospects with respect to the development of these properties.

On behalf of the Board,

R. J. OPEKAR, President

26 May, 1972



OIL AND GAS EXPLORATION

In February 1968, Ram made an important gas discovery in Sombra Township, Lambton County, Southwestern Ontario. The Ram #2, Sombra 23-IX exploratory test well encountered the crest of a Silurian pinnacle reef which, with subsequent drilling, proved to cover an area in excess of 275 acres. Original gas in place was about 13.5 billion cubic feet of which 7.52 billion cubic feet were produced to December 31, 1971. Excellent reservoir characteristics permit a very high rate of gas delivery.

Following this discovery, the company rapidly increased its acreage holdings in areas where it was felt that more pinnacle reefs remain to be discovered. During this period Ram's wholly owned U.S. subsidiary, Ram Petroleum Inc., acquired substantial acreage holdings in the prolific North and South Michigan Pinnacle Reef play.

In the frontier areas of Canada, Ram has been acquiring Federal and Provincial exploratory permits since early 1970 and is represented in most of the Canadian frontier sedimentary basins which hold potential for the discovery of major oil and gas accumulations.

ONTARIO (MICHIGAN BASIN)

Ram has in excess of 20,000 carefully selected acres under lease in the pinnacle reef belt of Lambton County, Southwestern Ontario, where your company's Terminus Pool was discovered in 1968. During 1971 Ram participated in the drilling of three exploratory wells, two of these were farmed in from a major gas utility, but proved to be dry. The third was a 100% company owned exploratory test drilled on a prospect generated through geological and other studies conducted by your company over

the past two years. This test resulted in the discovery of a marginal oil well which may indicate the presence of a nearby pinnacle reef. The well has been suspended pending further geophysical evaluation of the area.

Approximately eight miles of seismic work was conducted over various prospects during 1971 and results were encouraging. An additional twelve miles of seismic has been recently completed over additional prospects including the area of our 1971 oil discovery. It is anticipated that between five and eight exploratory tests on separate prospects will be drilled in 1972.

MICHIGAN (MICHIGAN BASIN)

Ram Petroleum Inc. holds in excess of 17,000 net acres under lease in the State of Michigan, approximately one-half of which is located in the exciting North Michigan pinnacle reef play where "vibroseis" methods of seismic shooting has been extremely successful in detecting large Silurian pinnacle reefs bearing oil and gas. This play began in 1968 and to date about 25 reefs have been discovered. Reserves in the range of 3 to 5 trillion cubic feet of gas have been estimated in a half dozen northern counties within the trend. Although no such projection has been made for oil, individual wells are known to have produced in the order of 1,000 bbls per day. Because the potential rewards are so great your company continues to acquire acreage in this area despite intense competition from major oil companies. In 1971 Ram Inc. and a partner farmed out a portion of the north Michigan acreage under a seismic option to Michigan Consolidated Gas Company, Detroit. Ram Inc. has agreed to participate in the geophysical evaluation of a portion of this acreage in order not to dilute its interest. Seismic shooting was completed by this company in partnership with Ram Inc. toward the

end of 1971 with encouraging results. Your company has high expectations from this area over the coming months and is hopeful of participating in the drilling of at least one exploratory well.

Approximately 4,000 net acres of Ram Inc. oil and gas leases are located in the central portion of the Michigan basin where several Devonian oil pools have been discovered recently and where seismic methods are increasingly being used by major companies such as Shell and Amoco. Your company's acreage in all cases has very good exposure to the activities of these companies as well as to that of the independent operators. In addition, the southernmost portion of this acreage is felt to extend within the area of a newly discovered pinnacle reef trend in south central Michigan where Mobil Oil has drilled 17 producing wells on an unknown number of pinnacle reefs. These reefs are similar to the reefs found in the northern trend, but occur at a shallower depth. However, they can also be detected by "vibroseis" methods. Your company believes that its acreage occupies a favourable position on this trend.

Ram Inc. acreage includes about 1,100 net acres in southern Michigan east of the prolific gas and oil bearing Scipio-Albion trend, which produces from the Trenton-Black River Group of rocks of Ordovician age.



ARCTIC ISLAND (SVERDRUP BASIN)

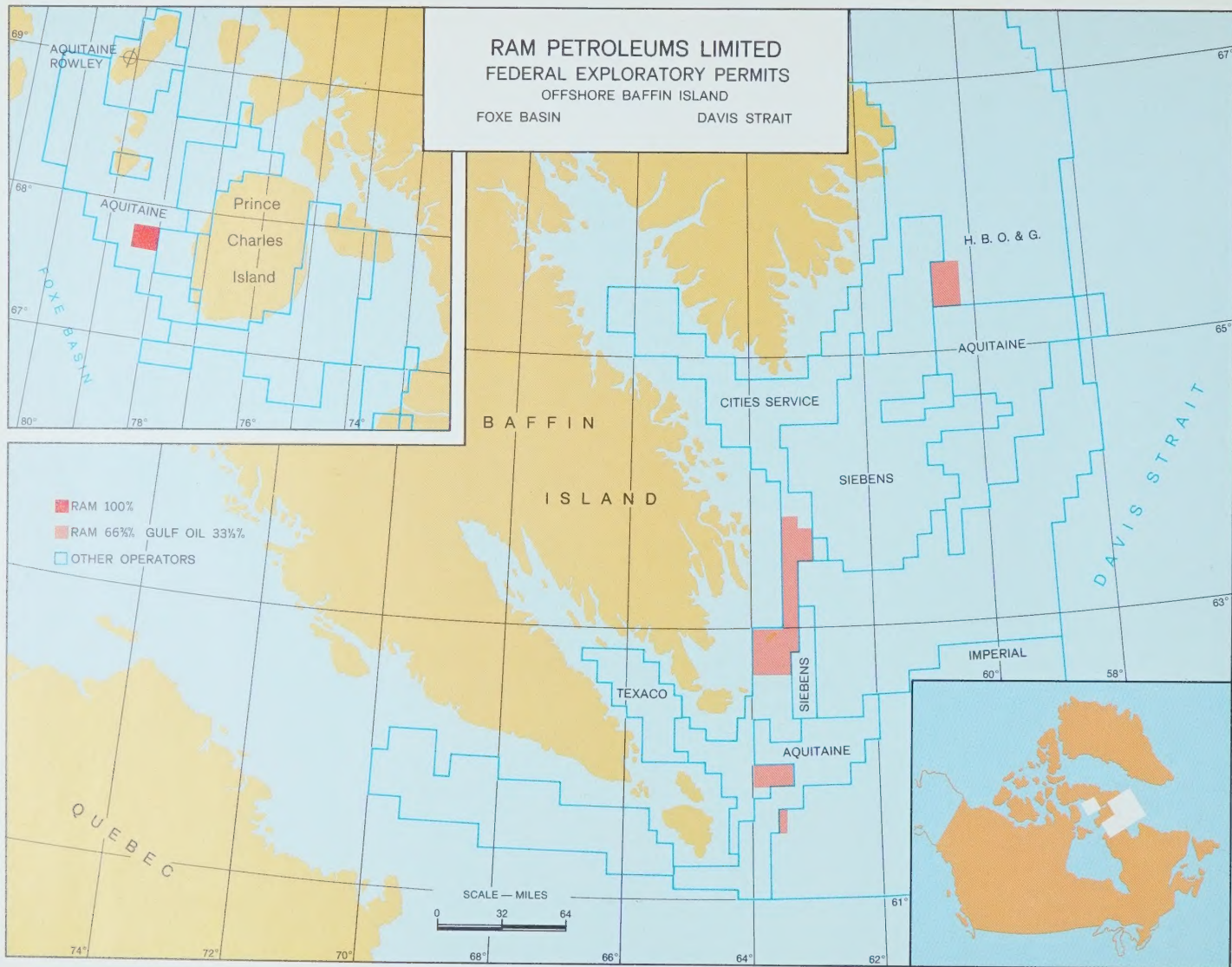
Ram has 179,995 acres of Federal Government exploratory oil and gas permits in the Sverdrup Basin of the Canadian Arctic Islands. These permits, which are shown on the adjoining map, are favourably located with respect to recent gas and oil discoveries and proposed drilling in 1972 and 1973.

Recently, Ram farmed out 2 permits consisting of 107,504 acres off Amund Ringes Island to Imperial Oil Limited who can earn a 25% working interest by satisfying work obligations up to August 9th 1980 in the amount of \$279,510. Imperial has the option of increasing its interest to 100%, subject to a 20% net profits interest to Ram, by drilling a test well to evaluate the Triassic Heiberg formation or to 10,000 feet whichever is the lesser.

Panarctic Oils Limited and partners have made significant natural gas discoveries on Melville, King Christian and Ellef Ringnes Islands over the past three years. In early March of this year Panarctic discovered oil on Ellesmere Island. The high success ratio of arctic exploratory drilling has prompted the entry of a significant number of major oil and gas and also utility companies into this play.

It is significant to note that Ram's holdings are all within this area of extremely high potential for delineating major gas and oil reserves. The Ram permits offshore Ellef Ringnes Island are approximately 27 miles from Imperial Panarctic Dome et al Hoodoo L-41 located on the flank of the Hoodoo Dome of Ellef Ringnes Island. These same Ram offshore permits are no more than 50 miles from the prolific gas discovery on King Christian Island. Similar structural stratigraphic conditions are postulated to extend under Ram's permits.

The Ram holdings on and offshore Axel Heiberg Island are underlain in part by significant anticlines and are relatively close to several wells proposed for drilling under the Drill Arctic Program of Horn River Resources. In addition, the discovery of oil in the Panarctic Romulus L-42 well on nearby Ellesmere Island enhances the hydrocarbon potential of Axel Heiberg Island.



DAVIS STRAIT OFFSHORE BAFFIN ISLAND (CUMBERLAND BASIN)

Ram has Federal oil and gas exploration permits over 1,087,412 acres in the Labrador Sea off the east coast of Baffin Island adjacent to permits held by companies such as Imperial Oil Limited, Banff-Aquitaine and Siebens Oil and Gas.

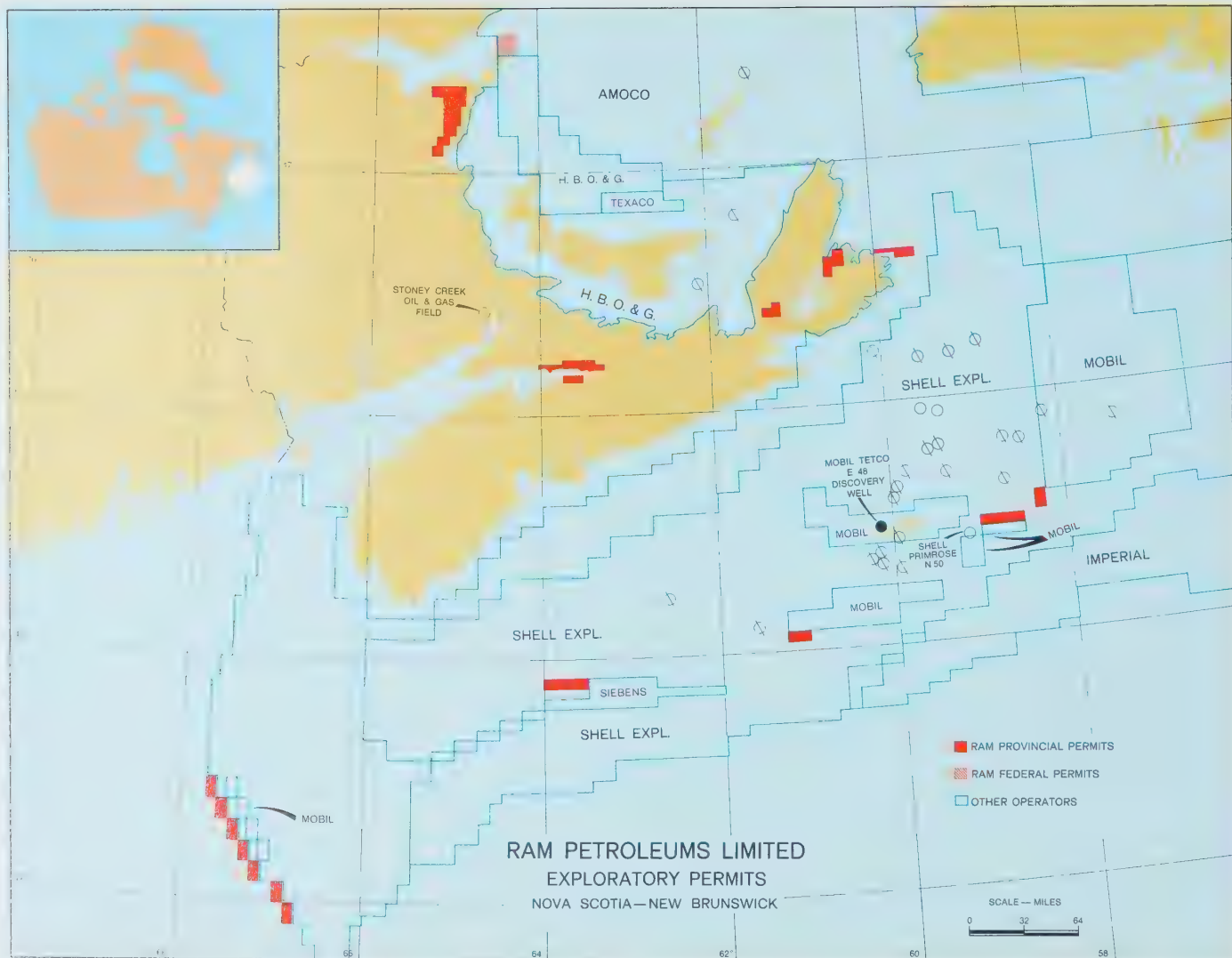
This is a very prospective area where sediments up to and beyond 20,000 feet are expected to contain large reserves of hydrocarbons. Ninety percent of the oil in the world has been found in sedimentary rock of the type believed to underlie this area. The Canadian Petroleum

Association's estimate of potential reserves in the area of the Grand Banks and Labrador Sea is 25 billion barrels of oil and some 150 trillion cubic feet of natural gas.

During 1971 Ram farmed out its holdings in this area to Gulf Canada Limited. Gulf can earn a 33⅓ percent interest by performing exploratory work and will have the option to earn up to 80% interest for the drilling and completion of an exploratory well. An aeromagnetic survey was completed during 1971 at no cost to your company and seismic surveys are planned by Gulf for 1972.

OFFSHORE BAFFIN ISLAND (FOXES BASIN)

In 1971 Ram filed on 97,092 acres of Federal permits in the Foxe Basin off the west coast of Baffin Island. This basin, although small in aerial extent, is located in the Arctic lowlands where Lower Paleozoic rocks are considered prospective for oil and gas.



OFFSHORE NOVA SCOTIA (SCOTIA SHELF)

Ram has provincial exploratory permits on 626,970 acres offshore Nova Scotia on the Scotian shelf where extensive exploratory drilling is being carried out by Shell and Mobil. In 1971 Mobil made a significant oil and gas discovery on Sable Island which gives every indication of being a find of major proportion and confirms geological opinion that the Scotian Shelf has the makings of a major hydrocarbon province. Shell's Primrose N50 exploratory test located approximately three miles west of one of Ram's provincial permits recently encountered oil and gas. This indicates the excellent exposure our permits have to recent discoveries in this area. Ram does not have the coinciding Federal permits on its offshore acreage which in some cases are held by other oil and gas companies.

MAINLAND NOVA SCOTIA (MARITIME BASIN)

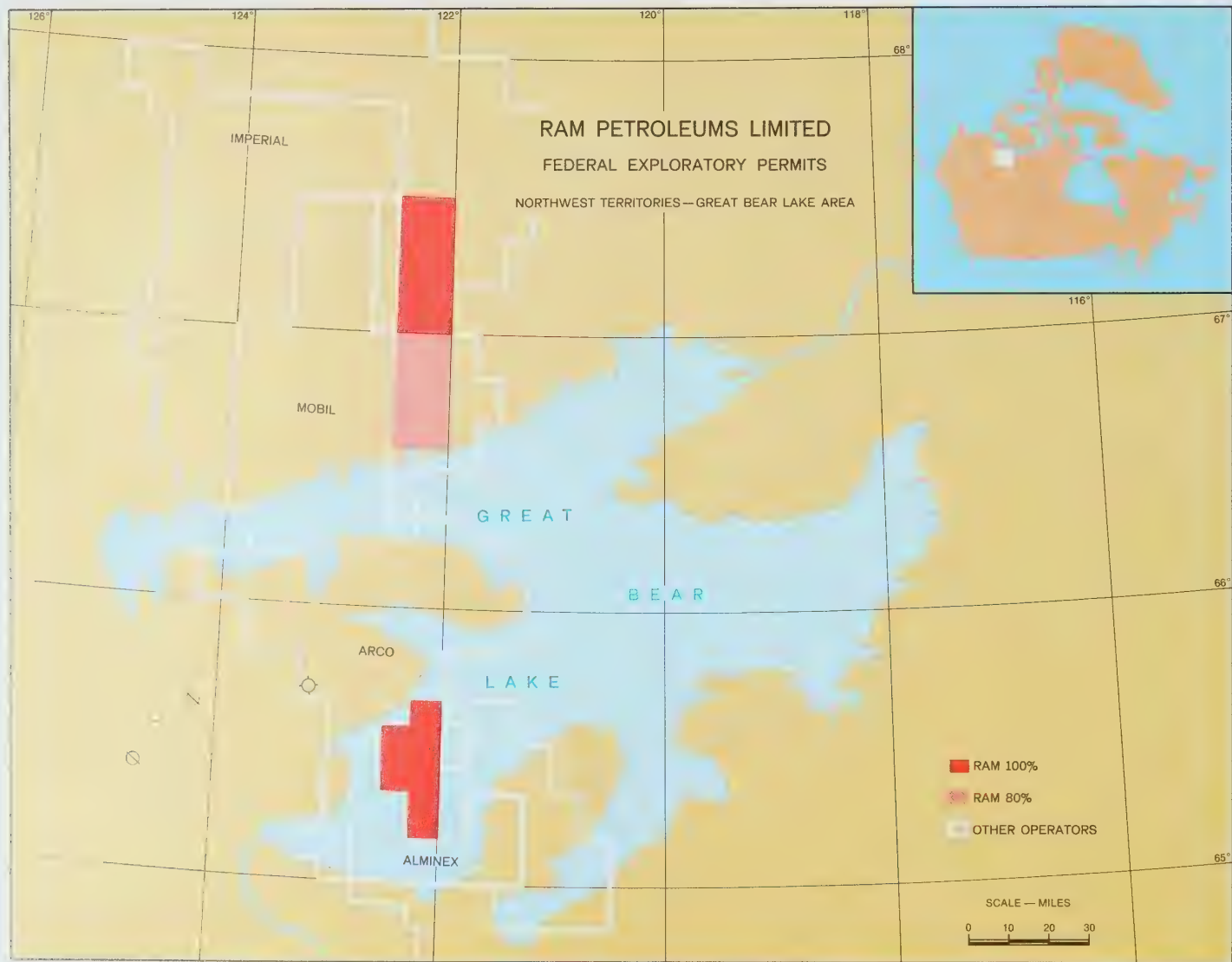
Ram has Provincial exploratory permits on 259,019 acres of mainland Nova Scotia. This land is situated over three minor carboniferous basins which offer the possibility of finding production and reserves similar or better to those of the Stoney Creek Field near Moncton, New Brunswick, which is located in a similar geological province.

OFFSHORE NEW BRUNSWICK (MARITIME BASIN)

Ram has 65,000 acres under Federal permit offshore New Brunswick and the Gaspé Peninsula, where at least 6,000 feet of Permian carboniferous sediments are believed to be present extending to a maximum of 25,000 feet basinward from our permits. No information has been released on three wells drilled in the gulf to date; however, prospective reservoir potential is believed to exist. Silurian reef exposures have been examined on the Gaspé Peninsula immediately to the west of our permits and rocks of Mississippian age produce oil and gas at Stoney Creek near Moncton. The Ram permits are adjacent to those held by Amoco Canada and Hudson's Bay Oil & Gas.

NEW BRUNSWICK (MARITIME BASIN)

Ram has 316,800 acres under provincial exploratory permit in North Eastern New Brunswick on the rim of a possible basin extending under the Gulf of St. Lawrence. Permian carboniferous sediments from 3,000 feet to 5,000 feet in thickness are postulated to underlie these onshore permits and prospective horizons include sandstone beds that are responsible for production in the Stoney Creek Field near Moncton. Ram's acreage is located adjacent to the holdings of New Brunswick Oilfields and Hudson's Bay Oil & Gas.



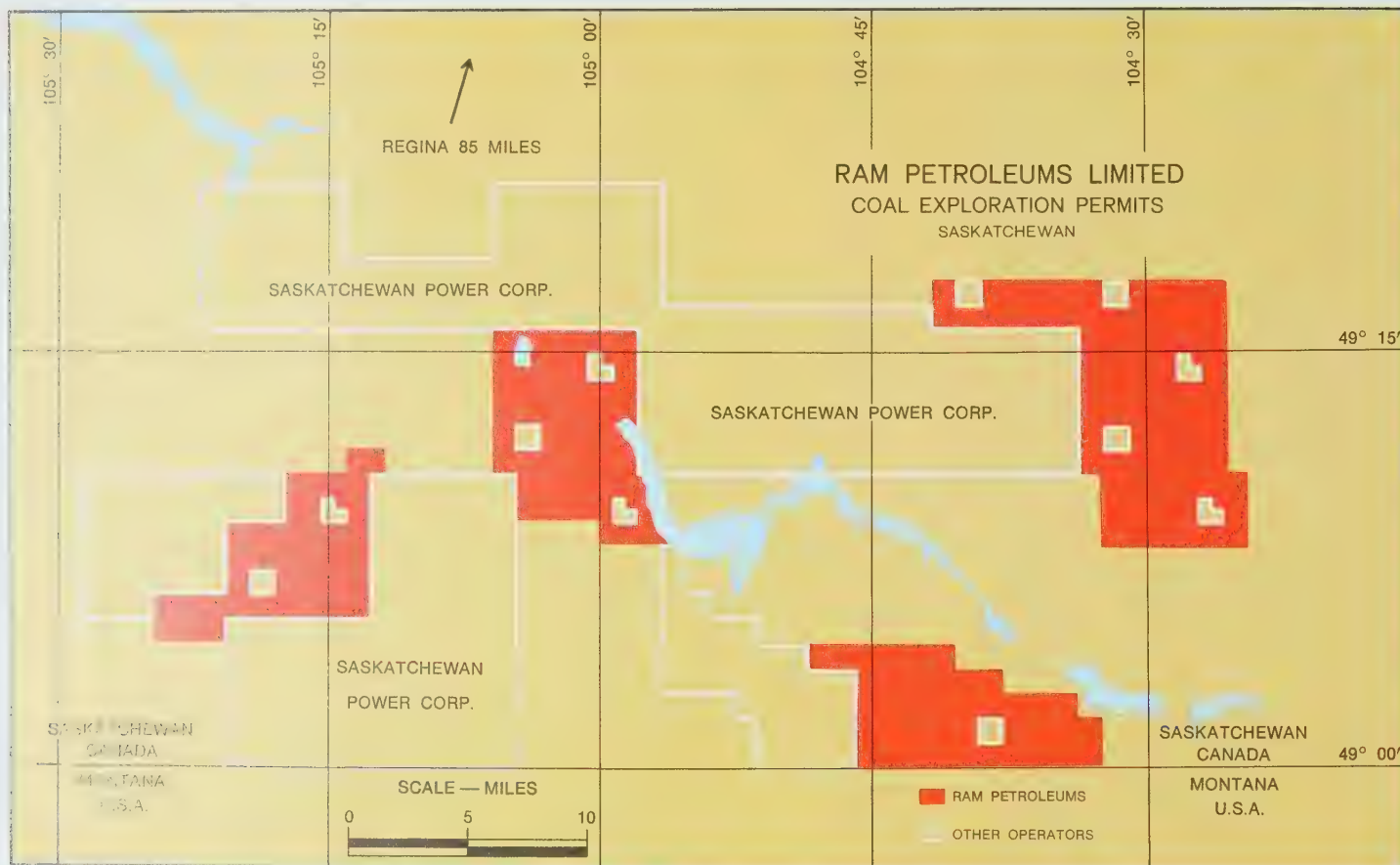
NORTHWEST TERRITORIES (GREAT BEAR BASIN)

Ram Petroleums Limited has 239,811 acres under Federal Permit in Keith Arm of the Great Bear Lake. In addition the company holds to an 80% interest in 252,594 and 100% interest in 297,464 acres north of Great Bear Lake. This acreage lies near the eastern edge of a wedge of paleozoic and mesozoic sediments that hold potential for finding significant hydrocarbon reserves. It is also relatively close to a proposed gas pipeline route from Alaska and the Arctic Islands through the MacKenzie River Valley. Ram has participated with Alminex and others in a joint marine reflection seismic survey carried out during 1971 over separately held permits in Keith Arm of Great Bear Lake. The results of this program are presently being evaluated. Ram is presently conducting a seismic survey over the permits held north of Great Bear Lake, which acreage is adjacent to substantial acreage held by Mobil.

HUDSON BAY (HUDSON BAY BASIN)

Ram acquired an 80% interest in 124,488 acres under Federal exploratory permit in Hudson Bay. This holding is located near the centre of a prospective sedimentary basin which has been compared geologically to the Western Canada and the Michigan Sedimentary Basins. Prospects for hydrocarbon accumulation in beds ranging from Cambrian through Devonian age are considered good and in the order of 6,000 feet of sedimentary section is postulated to underlie the permits. The Ram acreage is adjacent to or nearby acreage held by companies such as Aquitaine, Mobil, Dome and Western Decalta. Ram intends to participate in seismic programs to satisfy work commitments.





MINING EXPLORATION

LIGNITE COAL

Ram has taken out coal permits in four blocks covering 127,040 acres in Saskatchewan. These permits, shown on the adjoining map, are located about one hundred miles south of Regina. Lignite coal is known to occur in the Ram permit area.

A drilling program is planned for the lignite permits during the 1972 Spring and Summer. It will include about 300 test holes totalling 25,000 to 30,000 feet of rotary drilling. Unmolested core will be taken from every fourth drill hole to provide clean samples for quality analysis. Field work should be completed by the end of Summer, and reserve estimates and quality should be known by the year end.

Ram's interest in lignite was prompted by the increased attention of governments and industry in all forms of energy sources, including coal. Lignite coal provides approximately 6000 BTU of heat per pound and is extensively used in thermal units for generating electricity in the north central United States and in the Prairies Provinces. The Province of Ontario has plans to develop the Onakawana lignite deposits of Northern Ontario for thermal generators. The Ram permits, if sufficient volume of coal is found, are well located for similar purposes.

In the future it is expected that synthetic treatment involving liquefaction and gasification will give coal an increasingly important position in the total energy picture. An estimated one billion tons of coal per annum will be used through these processes by the year 2000 in the North American market. Even now the United States is short of natural gas and major installations for the gasification of coal are under way. Lignite coal can be readily used in the Lurgi gasification process, the most favoured process in present use.

The permits are located within high energy voltage transmission distance of the Chicago market and within reasonable distance of existing and proposed gas pipelines.

TREMOLITE

Ram has a 50% interest in a tremolite prospect consisting of 6 claims in Palmerston Township, Ontario.

Tremolite is magnesium silicate with properties similar to talc. It may be used as bulk filler for products such as linoleum tile and rubber, and, in its most refined form, in the ceramic plastic, and paint industries. Prices for the bulk material range from \$18.00 per ton for the lower grades to \$45.00 per ton for the most refined grades with very high brightness.

During 1971 the prospect was tested with four drill holes totalling 1200 feet of drilling. Preliminary indications are that a substantial deposit of tremolite exists. Initial tests on core samples indicate that the tremolite can be benefited. However, much work remains to be done before reserves with respect to tonnage and grade can be determined and the economics of the potential products and market worked out.

MOLYBDENUM

Ram holds a 50% interest in 24 claims in the Pabineau Lake area, southwest of Bathurst, New Brunswick. A geochemical survey for molybdenum in 1971 indicated anomalous conditions, mostly on one claim. It is planned to trench this area in 1972 in order to examine and sample any molybdenum mineralization. Adjacent claims to the east are held by Imperial Oil Enterprises Limited.

GENERAL

Work on the copper prospect near Chapman Lake was terminated. The results of the induced polarization survey and the electro-magnetic check survey were not encouraging.

However, Ram will continue to seek out further mining opportunities in Canada in cases where relatively small investments can provide good participation in interesting properties.



MEXTOR MINERALS LIMITED

Through investments made over the past two years, Ram now owns 91.38% of the issued shares of Mextor Minerals Limited.

Mextor, through its Mexican affiliate, Compania Minera de Pinabete S.A., is actively exploring several mineral prospects in Mexico, the most important of which are: Pinabete, Calabaza and La Domenica.

Pinabete is a silver-gold prospect which was mined by primitive methods until the early part of the century. During the past two years considerable work has been done in rehabilitating the old workings in the mine to determine whether mining operations could profitably be resumed.

While diamond drill tests proved inconclusive, drifting along the veins proved encouraging. The silver veins seem to consist of zones of high grade ore separated with non-commercial ore. On the basis of work done to date true ore reserves cannot be stated. However, the inferred potential of the area appears to be about 500,000 tons of ore in distinct and separate shoots, averaging about 15 ozs. silver per ton and 50¢ of gold per ton.

The consulting geologist recommended that a modest mining operation be commenced in order to exploit at least the known mineable ore and provide an income for further development work. Nevertheless management felt that in the long run it would be better to wait until silver prices had recovered from their current depressed levels so that profits would be greater.

Pinabete remains an excellent prospect. In the meantime, however, work will concentrate on the two newly acquired properties, Calabaza and La Domenica.

Calabaza is a zinc-lead-copper-silver-gold prospect, formerly a producing mine from 1937 to 1970. From surface mapping and airphotos it is assumed that there are about 1500 metres of vein length as yet untested and that possibilities exist that additional ore shoots may be found.

La Domenica is a porphyry copper prospect located within a block of mining claims which at present cover an area of nearly 50 square miles about 100 miles southeast of Guadalajara. Extensive green copper staining is visible. Asarco have a producing copper mine in the general area. Patino, through Lytton Minerals, has an indicated 64 million ton deposit and Placer Development and Noranda also have properties in this vicinity.

All of the properties, including La Domenica, are in a trend which may conform to a major structural pattern. La Domenica is considered an outstanding prospect which will have first priority in the development program in Mexico for the current year.

RAM PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)
and consolidated subsidiaries

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

	1971	1970
Current Assets		
Cash	\$ 9,622	\$ 44,444
Marketable securities, at cost less allowance for decline in market value of \$13,481 (quoted market value 1971, \$292,410) (note 2)	292,410	123,004
Accounts receivable	108,521	15,000
Mortgage receivable		1,732
Prepaid expenses	15,687	426,240
	<u>426,240</u>	<u>184,180</u>
Investment in Subsidiary Company, Mextor Minerals Limited, at cost (note 1)	555,492	124,525
Capital Assets		
Interest in natural gas and oil leases and mining claims, at cost less amortization	132,447	86,651
Equipment, at cost less accumulated depreciation	63,279	84,406
Development costs deferred, less amortization	147,711	266,361
Improvements to leased premises, less amortization	1,562	1,767
Exploration and prospecting permits and licences, at cost (note 3)	458,671	8,020
	<u>803,670</u>	<u>447,205</u>
Other Assets		
Government of Canada bonds, at cost (quoted market value 1971, \$320,750; 1970, \$238,200) on deposit (note 4)	302,250	223,563
Other shares, at nominal value in 1971 (at cost in 1970; market value 1970, \$472,450)	1	451,641
Land	37,079	37,079
Deferred exploration and prospecting expenditures	152,251	19,998
Sundry deposits and advances	20,900	17,818
	<u>512,481</u>	<u>750,099</u>
	<u>\$2,297,883</u>	<u>\$1,506,009</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities
Income taxes payable

1971	1970
\$ 96,546	\$ 10,401
174,485	29,990
<u>271,031</u>	<u>40,391</u>

Deferred Income

Billings under contract for natural gas not delivered (note 6)

369,435

Long Term Portion of Amount Payable on acquisition of exploration and prospecting permits (note 3)

375,000

Deferred Income Taxes

199,000

184,000

SHAREHOLDERS' EQUITY

Capital Stock

Authorized

150,000 6% Non-cumulative preference shares, redeemable at par value \$1
8,000,000 Common shares, par value 25¢

Issued

3,062,012 Common shares
Deduct discount less premium on issue of shares

765,503	765,503
11,200	11,200
754,303	754,303
698,549	157,880
<u>1,452,852</u>	<u>912,183</u>

Retained Earnings

Approved by the Board
ROBERT J. OPEKAR, Director
HOWARD R. BARCLAY, Director

\$2,297,883	\$1,506,009
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RAM PETROLEUMS LIMITED

and consolidated subsidiaries

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

Income	1971	1970
Gas sales (note 6)		
Current	\$ 995,548	\$ 940,194
Deliveries for which payment had been received in prior years	369,435	780,812
	<u>1,364,983</u>	<u>1,721,006</u>
Oil sales	10,365	16,954
	<u>1,375,348</u>	<u>1,737,960</u>
Less expenses	138,014	167,021
	<u>1,237,334</u>	<u>1,570,939</u>
Interest and dividends earned	34,518	38,861
	<u>1,271,852</u>	<u>1,609,800</u>
Exploration and development expenses		
Abandoned well costs, leases and mining claims	136,735	198,174
Oil, gas and mining consulting fees	9,688	13,487
Lease and royalty payments	142,874	51,794
Exploration expenses	98,084	18,758
	<u>387,381</u>	<u>282,213</u>
Administrative and general expenses		
Management fees	54,000	42,500
Directors' fees	9,000	9,000
Rent	16,140	7,323
Depreciation of office equipment and amortization of improvements to leased premises	7,442	4,689
Salaries	55,557	19,104
Travel expense	14,982	11,692
Legal and audit	20,117	51,900
Shareholders' expense	1,463	5,118
Secretarial and accounting fees	2,452	2,659
Bank charges	298	279
Corporate and office expense	13,234	7,640
Bad debt expense	53	67,146
Organization expense		1,014
Miscellaneous expense	7,188	5,685
	<u>201,926</u>	<u>235,749</u>
	<u>589,307</u>	<u>517,962</u>
Income before undernoted items	<u>682,545</u>	<u>1,091,838</u>
Income Taxes		
Current	208,500	46,227
Deferred	15,000	184,000
Subject to reduction		321,000
	<u>223,500</u>	<u>551,227</u>
Income before extraordinary items	<u>459,045</u>	<u>540,611</u>
Extraordinary items		
Income tax reduction realized on application of unrecorded tax benefit at December 31, 1969		321,000
Profit on sale of securities	97,481	
Loss on currency transactions		(6,943)
Provision for decline in market value of marketable securities and write down of other shares	(15,857)	
Investment written off		(20,754)
	<u>81,624</u>	<u>293,303</u>
Net income for the year	<u>\$ 540,669</u>	<u>\$ 833,914</u>
Earnings per share		
Income before extraordinary items	\$.15	\$.18
Net income for the year	.18	.27

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

Source of funds	1971	1970
Net income for the year	\$ 540,669	\$ 833,914
Items not involving current funds		
Deferred income realized during year	(369,435)	(780,811)
Depreciation and amortization	135,004	158,111
Abandoned well costs and mining claims	72,952	69,312
Deferred exploration and prospecting expenditures written off	18,377	
Organization expense written off		1,014
Deferred income taxes	15,000	184,000
Investment written off		20,754
Write down of other shares	2,376	
	414,943	486,294
Reclassification of shares as marketable securities under current assets (note 2)	446,551	78,304
Proceeds from sale of equipment		1,775
Long term portion of amount payable on acquisition of exploration and prospecting permits ..	375,000	
	1,236,494	566,373
 Application of funds		
Additions to capital assets	564,421	148,038
Increase in sundry deposits and advances	3,082	8,879
Investment in Mextor Minerals Limited	430,967	124,525
Increase in other assets		
Government of Canada bonds	73,875	178,250
Other shares	2,100	484,545
Land		1,273
Exploration and prospecting expenditures	150,629	19,998
	1,225,074	965,508
Increase (decrease) in working capital	11,420	(399,135)
Working capital at beginning of year	143,789	542,924
Working capital at end of year	\$ 155,209	\$ 143,789

RAM PETROLEUMS LIMITED

and consolidated subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	1971	1970
Retained earnings (deficit) at beginning of year	\$ 157,880	\$ (676,034)
Net income for the year	540,669	833,914
Retained earnings at end of year	<u>\$ 698,549</u>	<u>\$ 157,880</u>

AUDITORS' REPORT

To the Shareholders of
Ram Petroleums Limited

We have examined the consolidated balance sheet of Ram Petroleums Limited and consolidated subsidiaries as at December 31, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 7, 1972
(May 17, 1972 as to note 3)

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1971

1. **Subsidiary Companies**

The consolidated financial statements include the accounts of its wholly-owned subsidiary companies, Fibrop Mines and Oils Limited and Ram Petroleum Inc.

The company owned 2,064,500 shares of Mextor Minerals Limited at December 31, 1971, which holding then constituted 87.26% of the issued shares of Mextor. The accounts of Mextor have not been consolidated with the company as it is considered that the separate audited financial statements of Mextor for the year ended September 30, 1971 are more informative. The auditors' report of Mextor Minerals Limited on the financial statements for the year ended September 30, 1971 states that the company had deferred expenditures of \$462,027 at September 30, 1971 and the recovery of these expenditures is dependent upon the future commercial productivity of the exploration projects of Compania Minera de Pinabete, S.A.

2. **Marketable Securities**

In 1971, certain shares were reclassified under current assets and are reflected on the balance sheet as marketable securities.

3. **Exploration and Prospecting Permits and Licences**

On December 22, 1971 the company acquired Arctic permits A2763 to A2766 inclusive at a purchase price which was to be determined by binding arbitration. Two independent cash sale values were obtained indicating values of \$486,300 and \$490,619 for such permits. The purchase price was then settled at \$450,000 of which \$75,000 was cash and \$375,000 was by way of a 10 year convertible non-interest bearing note in the amount of \$375,000 convertible into shares of the company at any time at the rate of \$2.50 per share equivalent to 150,000 shares.

4. **Government of Canada Bonds on Deposit**

The company has deposited \$300,000 par value Government of Canada bonds having a cost of \$302,250 as a guarantee that exploration expenditures equal thereto will be made.

5. **Contingent Liabilities**

Letters of Credit in the amount of \$39,738 are on deposit to guarantee exploration work obligations outstanding at December 31, 1971. The company has made a general assignment of debts and various properties under Section 82 of The Bank Act.

6. **Gas Purchase Contract**

On November 1, 1968, the company entered into a contract with a major gas utility company to supply the utility company with ten billion cubic feet of gas over a four year period. The company is paid for ninety percent of the annual volume of gas contracted for, whether the gas is taken that year or later. Delivery of gas commenced on December 31, 1969. During 1971 the company completed delivery of all gas for which payment had been prepaid.

7. **Litigation**

The several legal actions referred to in notes to the financial statements for the year ended December 31, 1970 were settled subsequent to December 31, 1971 and have been dismissed by the Supreme Court of Ontario on consent of all parties. There is at present no outstanding litigation involving the Corporation or any of its shares.

8. **Other Statutory Information**

	1971	1970
Remuneration of directors and senior officers (as defined by the Business Corporations Act)	\$ 77,562	\$ 40,222
Depreciation	37,097	34,308
Amortization	97,907	123,803

9. **Comparative Figures**

The 1970 comparative figures have been reclassified to conform with financial statement presentation adopted for 1971.

RAM PETROLEUMS LIMITED
and subsidiary companies

**CONSOLIDATED STATEMENT
OF SOURCE AND APPLICATION OF FUNDS**

(Subject to audit and year end adjustments)

Six months ended June 30, 1971

*(With comparative figures for the six months ended
June 30, 1970)*

	1971	1970
Source of funds		
Net income for the period	\$ 392,206	\$ 676,764
Items not involving current funds		
Deferred income received in prior years	(222,186)	(561,903)
Depreciation and amortization	21,127	7,402
Development expenditures incurred in prior years	57,067	168,562
Abandoned well costs	71,141	
Deferred income taxes	(67,000)	
Sale of shares of other companies	320,566	
	<u>572,921</u>	<u>290,825</u>
Application of funds		
Additions to capital assets	50,452	41,818
Sundry deposits and advances	185,123	20
Exploration permits	249	—
Investments	143,479	663,981
Participations	21,050	15,680
	<u>400,353</u>	<u>721,499</u>
Increase (decrease) in working capital	172,568	(430,674)
Working capital at beginning of period	143,789	542,924
Working capital at end of period	<u>\$ 316,357</u>	<u>\$ 112,250</u>

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RAM PETROLEUMS LIMITED
(Incorporated under the laws of Ontario)

Executive and Head Office	Suite 1000 The Simpson Tower 401 Bay Street Toronto 103, Ontario
Directors	HOWARD BARCLAY RICHARD H. KREMPULEC RALPH W. McDOWELL ROBERT J. OPEKAR R. BREDIN STAPELLS, Q.C.
Officers	ROBERT J. OPEKAR, President RICHARD H. KREMPULEC, Secretary
General Manager	LEONARD CASCIATO
Transfer Agent	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
Auditors	THORNE, GUNN, HELLIWELL & CHRISTENSON Toronto, Ontario
Banker	ROYAL BANK OF CANADA 20 King St. W., Toronto, Ontario
General Counsel	STAPELLS, SEWELL, STAPELLS, PATTERSON & ROGERS Toronto, Ontario

RAM
Petroleum Limited

Interim Report 1971

To The Shareholders:

During the six months ended June 30, 1971, your company delivered approximately 1.95 billion cubic feet of gas. This brings total deliveries to date to 6.16 billion cubic feet out of the total contracted volume of 10 billion cubic feet. Gas income was \$805,678 of which \$222,186 was received prior to the current fiscal period and included in the deferred income item in the company's previous financial statements. Sufficient make-up gas has been delivered physically so that your company has reclassified this amount of deferred income to include it in current income for the period. While these make-up deliveries of gas have augmented your company's revenues in the last eighteen months, they will soon be completed and your company's volume of gas sales will consequently decline.

Net income for the six months ended June 30, 1971 was \$392,206 compared to \$676,764 in the comparable period for 1970. Working capital at the end of the period was \$316,357 against \$112,250 a year previously.

A marine seismic survey at Keith Arm, Great Bear Lake, Northwest Territories, was completed recently and evaluation of the data is taking place. An aeromagnetic survey of your company's off-shore Baffin Island, Northwest Territories permits is presently underway. Your company and a major oil company have signed a letter of intent whereby 1,088,010 acres of off-shore Baffin Island permits will be farmed out. All work required to keep these permits in good standing during the course of their initial six year term will be carried out at no expense to your company. In return for this the major oil company will earn a 33 1/3 % interest in the permits and will have the option to earn up to 80% interest for the drilling and completion of an exploratory well.

Michigan

A seismic survey over selected acreage was carried out in Lambton County, Ontario. Three wells are planned to evaluate some of this acreage prior to the end of the year. Ram Petroleums Inc., your wholly owned U.S. subsidiary, is presently participating in a seismic survey of selected acreage in North Michigan.

Surface trenching in the areas of known mineralization at Chapman Lake, Ontario, has indicated widespread non-commercial copper mineralization. Weak induced polarization anomalies are being further checked. Testing of samples from the Palmerston Township tremolite-anthophyllite prospect, in which your company has a 50% interest, is in progress.

Your company has increased its interest in Mexcor Minerals Limited which, through its affiliate, Compania Minera de Pinabete, S.A., is continuing with development work at its Pinabete property in the State of Nayarit, Mexico. Recent drifting northerly in the Ventana II workings, which are the most northerly workings at Pinabete, assayed 28.6 ounces of silver and 0.07 ounces of gold over a 130 foot length and a 4.6 foot width. Full width has not been tested and further work may establish greater widths. Surface diamond drilling at depth with a heavy drill has started with initial holes planned at the Cinco de Mayo elevation and at one level below. An experienced geologist has been hired by the Mexican affiliate and development work continues satisfactorily.

On behalf of the Board,

R. J. Opekar,
President.

August 10, 1971.

Notes to Consolidated Statement of Income

Note 1: On November 1, 1968, the company entered into a contract with a major gas utility company to supply the utility company with ten billion cubic feet of gas over a four year period. The company will be paid for ninety percent of the annual volume of gas contracted for, whether the gas is taken that year or later. Delivery of gas commenced on December 31, 1969. Gas sold in the period January 1 to June 30, 1971, for which payment was received prior to December 31, 1970 amounted to \$222,186. This was previously shown as deferred income but is now included in this statement as revenue from gas production.

Note 2: Development expenditures incurred in prior years and amounting to \$57,067 have been included in current expenditures.

RAM PETROLEUMS LIMITED and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME (Subject to audit and year end adjustments)

Six months ended June 30, 1971

(With comparative figures for the six months ended June 30, 1970)

	1971	1970
Revenue from gas production (note 1)	\$ 805,678	\$1,139,758
Revenue from oil production	2,694	6,206
	808,372	1,145,964
Less Expenses	7,131	12,599
	801,241	1,133,365
Interest and dividend income	13,435	10,288
	814,676	1,143,653
Exploration and development expense (note 2)	211,140	251,521
Abandoned well costs	71,141	—
Administrative and general expenses	118,769	64,368
	401,050	315,889
Income before income taxes and extraordinary items ..	413,626	827,764
Income taxes	117,000	287,000
Income before extraordinary items	296,626	540,764
Extraordinary items		
Gain realized on sale of investments	95,580	—
Income tax reduction applicable to amounts included in income in 1970 which in prior years were deferred and included in income for tax purposes		136,000
Net income for the period ..	\$ 392,206	\$ 676,764

Net income per share

before extraordinary items	9.69¢	17.66¢
after extraordinary items	12.81¢	22.10¢